November 20, 2009

Mr. Gary Collord
Energy Section
California Air Resources Board
gcollord@arb.ca.gov

RE: Comments for RES Concept Outline

Dear Mr. Collord:

The California Wastewater Climate Change Group's (CWCCG) mission is to address climate change policies, initiatives, and challenges through a unified voice representing California wastewater community perspectives. Together, CWCCG's members provide an essential public service by treating over 90% of the municipal wastewater in California. In addition, our members are active in developing renewable energy opportunities at our facilities, including combustion of digester and landfill gas, conversion of biosolids to energy, as well as solar applications. We attended the October 30 Workshop on the Renewable Electricity Standard (RES) and appreciate this opportunity to comment on the Proposed Concept Outline developed collaboratively by the California Air Resources Board (CARB), California Public Utilities Commission (CPUC), and the California Energy Commission (CEC).

Overview

The CWCCG understands that current efforts to develop a RES regulation with a 33% renewable electricity target would build upon and complement the existing 20% Renewable Portfolio Standard (RPS) and also satisfy the purpose of AB 32 to reduce greenhouse gas (GHG) emissions in the State of California. Executive Order S-21-09, which articulates the regulatory purpose of the RES concept, specifies that "the goals and purposes of the RPS program and the goals and purposes of AB 32 are mutual and compatible because an increase in the use of renewable electricity will reduce greenhouse gas emissions". This effort therefore has the potential to provide increased clarity to electricity market consumers and producers about the relationship between renewable energy production and GHG emission reductions a long-standing source of confusion in the marketplace.

Specifically, CWCCG supports the effort to clearly delineate a consistent and transparent RES metric based on tradable Renewable Energy Certificates (RECs) that will provide a standard measure for converting MWh produced by renewable energy to GHG tons of emission reductions. By providing such clarity in the RES policy itself, both buyers and sellers of renewable energy will be able to account for the GHG benefits associated with renewable power production, thereby increasing the overall 'marketability' of RECs to potential buyers who often seek out RECs in the voluntary market to offset their own GHG emissions.

Part 2.a. Eligible Resources.

The CWCCG supports the current proposal to maintain current definitions of eligible resources. Specifically, we are engaged in projects relating to biodiesel, biomass, digester gas, landfill gas, solar thermal, and wind and fuel cells using renewable fuel, and we would like to ensure that these projects are eligible under the RES. Further, we support the definition of "biomass" contained in the CEC Renewable Energy Program Overall Guidebook (CEC-300-2007-003-ED2-CMF) and suggest that this definition be referenced in the regulation.

We note that the RES provides California with a unique opportunity to productively use *all* of the waste products generated by our society, irrespective of the resources specifically being mentioned in state law, a regulation, or a guidance document.

Part 2.d. Purchase and Use of Tradable Renewable Energy Credits

The CWCCG strongly endorses the proposed revision to the existing RPS to allow unbundled or tradable RECs generated through the production of verified renewable energy resources to be eligible for meeting RES compliance requirements. By allowing RECs to be generated, registered on the Western Renewable Energy Generation Information System (WREGIS) system, and traded separately from procured energy, strong positive market incentives would be put in place to encourage the expansion of renewable energy generation throughout the state.

Many publicly owned wastewater facilities already operate renewable energy generation facilities powered by digester gas and other RPS-eligible renewable technologies, and, in many cases, the energy produced by these facilities is used on-site to power the treatment plant. Yet, the adoption of renewable energy across all water and wastewater agencies in California has moved forward as a result of the initiative of the implementing agencies, acting without renewable energy market incentives. These facilities are owned & operated by cities or by special districts (e.g. sanitation districts, sanitary districts, sewer districts, municipal water districts, etc.), and they have struggled to justify the cost of becoming a green power provider under current market conditions. With proper incentives, many more opportunities for renewable power generation at water and wastewater facilities may be realized.

The CWCCG therefore recommends that RES policy explicitly reflect the conclusion reached by the California Public Utilities commission on January 11, 2007, in Decision 07-01-018 that "will allow solar and other renewable DG [distributed generation] facility owners to keep 100% of the RECs associated with their facilities, irrespective of whether or not they avail themselves of incentives…[and that] As the owners of the RECs, system owners are free to do what they want with them, including expressly transferring the ownership rights to another entity" (p.20).

Immediate establishment of a viable compliance-based REC market would help the State meet its RPS goals by allowing existing distributed generation to be counted, and would stimulate the development of future renewable projects by providing a clear financial incentives that could tip the balance between building or not building a renewable project.

We also note that at present, restrictive air district regulations around the state are significantly disincentivizing, and in some cases actually preventing, development of new distributed generation projects. We urge CARB and the energy agencies to take an active role in working with air districts to ensure that these regulations do not hamper the ability of distributed generation to contribute to meeting RES goals.

Part 3. RES Compliance

The CWCCG further supports CARB's consideration of the concept whereby a tradable REC representing a MWh of eligible generation could be converted to equivalent tons of GHG reductions. By using the REC itself as the basic unit of measurement, consistency will be achieved while allowing for fungibility across rapidly evolving climate change market sectors. The strength of this approach over the traditional RPS approach is that it increases clarity in the renewable energy marketplace for GHG reduction claims.

By developing and adopting a clear and consistent standard for converting RECs to GHG reductions, the RES would be taking an important step towards resolving ongoing confusion and inconsistencies in the existing voluntary renewable energy marketplace.

Further analysis of the nature of the best RES metric for conversion is clearly warranted, however. The CWCCG is not yet in a position to comment on its preference of Option A-Uniform GHG Emission Reduction Factor or Option B-Average Marginal Emission Reduction Factor presented in Attachment 1 from the CEC.

Conclusion

Thank you again for your interest in working with stakeholders and for this opportunity to comment. We would welcome the opportunity to meet with you and other staff to discuss our perspective in more detail. Please feel free to contact me at (510) 587-7709 or jkepke@ch2m.com.

Sincerely,

Jackie Kepke, P.E.

Program Manager
California Wastewater Climate Change Group

cc: Dave Mehl, CARB
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